

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Notice of Market-Dominant :
Price Adjustment : Docket No. R2012-3

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Comments pursuant to Order No. 921 (October 21, 2011). They focus on the rates for Single-Piece First-Class Mail, and their relationship to other First-Class rates. As explained below, GCA does not, under the circumstances present here, object to the one-cent increase in the first-ounce letter rate. The rates for First Class as a whole appear to comply with the applicable price cap as specified in 39 CFR 3010.11 and 3010.28. Recognizing that issues of this kind are the ones the Commission will focus on¹, we nonetheless also comment in preliminary fashion on a question of rate structure, clearly raised by the present filing, which we consider significant for consumers using First-Class Mail.

I. The First-Ounce Letter Rate

The Postal Service proposes to raise the first-ounce letter rate from \$0.44 to \$0.45, or 2.273 percent. In combination with the increase in the Single-Piece Card rate (from \$0.29 to \$0.32), this results in an increase for Single-Piece of 2.468 percent. Both these increases exceed the cap, but since First Class as a whole has a single price cap, the much smaller increase for Presort (1.580 percent) brings the class back down to the 2.133 percent cap.

¹ Order No. 921, p. 13

GCA has long held the view that, while 39 U.S.C. § 3622(b)(8) specifically allows for "changes of unequal magnitude within, between, or among classes of mail," a pattern of biased increases within a class would violate the "just and reasonable schedule" requirement of that section. That situation does not arise here. As the Postal Service notes, in the preceding adjustment Presort rates were increased slightly more than the cap, and Single-Piece less. In the first two price-cap cases, a similar alternating pattern was evident.²

Likewise relevant to this potential issue are two other circumstances present in this case: (i) the whole-cent constraint, which somewhat limits the Postal Service's options in designing First-Class rates as a whole, and (ii) the relatively modest level of inflation governing this year's rate adjustment. As long as the Single-Piece first-ounce rate is constrained to whole cents, a low price cap makes it difficult or impossible to avoid imbalance, in any one year, between Single-Piece and Presort increase percentages. If, on the other hand, inflation were more severe, and the price cap correspondingly higher, there would be less (perhaps no) justification for increasing one category half again as much as the other.³

II. The Issue of the First Weight Increment

In this proceeding, the Postal Service has, for the first time, expanded the scope of (what has been) the first-ounce rate to cover the first two ounces.⁴ It has, however, restricted this change to Presort. A Single-Piece letter between one and two ounces would pay $\$0.45 + \$0.20 = \$0.65$.

² Docket R2008-1: Single-Piece raised 2.50 percent, Presort raised 3.55 percent; Docket R2009-2: Single-Piece raised 4.616 percent, Presort raised 3.080 percent

³ In this case, using percentages as the metric, $2.468 \text{ (Single-Piece)} / 1.580 \text{ (Presort)} = 1.562$.

⁴ United States Postal Service Notice of Market-Dominant Price Adjustment, pp. 14-16.

The Postal Service states that it is extending this benefit to Presort users in order to retain volume which might otherwise be lost to electronic substitute media, on the theory that providing extra weight at no extra charge enables the mailer to include more material – such as advertisements – and thereby makes the mail a more attractive alternative to e-media. GCA believes that the objective is clearly appropriate, and the means of pursuing it quite reasonable. The question we raise, however, is why the Postal Service is “trying to retain First-Class Mail volume, by focusing on the declines in First-Class Mail Automation Letters.”⁵

GCA believes that the same argument for an expanded first weight increment applies to Single-Piece letters. It is true that the large – though rapidly declining – Single-Piece subcategory of bill payments would be unlikely to show a response, in the form of higher piece weight, to a larger first increment. Other categories of Single-Piece letter mail, however, offer many opportunities for increasing the value of the mailpiece to both sender and recipient through the enclosing of additional material. Photo prints, compact disks or DVDs, or letter-mailable gift items such as gift cards⁶ can easily increase the total weight of a greeting card or personal letter to more than one ounce.⁷ Like commercial mailers, consumers would value the opportunity to amplify the communicative content of their mail without extra cost.

GCA expects to continue exploring this question with Postal Service officials. We call attention to it here, preliminarily, because this case opens for the first time the issue of the appropriate first weight increment for First-Class letter mail, and because the rapid changes in the market for both bulk and Single-

⁵ Id., p. 15. In fact, the expanded first weight increment applies to Nonautomation Presort letters as well.

⁶ It is interesting in this connection that according to the Service’s first report on its gift card market test, almost a fifth of the gift cards it sold were sold along with a greeting card. U.S. Postal Service letter to the Secretary, Docket No. MT2011-2, October 28, 2011.

⁷ Many such items can be sent either by mail as hard copy or electronically.

Piece First Class suggest that it is time that it was re-examined by the Postal Service and affected users of the mail.

November 7, 2011

Respectfully submitted,

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